

State of California
BOARD OF EQUALIZATION
SALES AND USE TAX REGULATIONS

Regulation 1525. PROPERTY USED IN MANUFACTURING.

Reference: Sections 6007-6009.1, Revenue and Taxation Code.

(a) Tax applies to the sale of tangible personal property to persons who purchase it for the purpose of use in manufacturing, producing or processing tangible personal property and not for the purpose of physically incorporating it into the manufactured article to be sold. Examples of such property are machinery, tools, furniture, office equipment, and chemicals used as catalysts or otherwise to produce a chemical or physical reaction such as the production of heat or the removal of impurities.

(b) Tax does not apply to sales of tangible personal property to persons who purchase it for the purpose of incorporating it into the manufactured article to be sold, as, for example, any raw material becoming an ingredient or component part of the manufactured article.

(c) PARTICULAR APPLICATION OF OAK WINE BARRELS. Tax does not apply to sales of new, used, or re-coopered oak barrels to persons who purchase the barrels for the purpose of physically incorporating oak into wine to be sold. Re-coopered barrels have the inner surface shaved off to expose new wood. The use of oak wine barrels as a container during the manufacturing process is incidental to the primary purpose of incorporating oak into the wine.

(d) PARTICULAR APPLICATION OF BRANDY BARRELS. Tax does not apply to sales of new or used oak barrels to persons who purchase the barrels for the purpose of physically incorporating oak into brandy to be sold. The use of the barrels as containers during the manufacturing process is incidental to the primary purpose of incorporating oak into the brandy.

History: Effective August 1, 1933.

Adopted as of January 1, 1945, as a restatement of previous rulings.

Amended by renumbering November 3, 1971, effective December 3, 1971.

Amended January 10, 1996, effective April 3, 1996. Added subdivision (c).

Amended October 8, 1997, effective April 4, 1998. Subdivision (d) added.

Amended January 6, 1999, effective May 1, 1999. Subdivision (c) is amended as follows: phrase ", used, or re-coopered" added to first sentence; new second sentence added; word "new" deleted from former second, now the third sentence.

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.